

**REPORT OF THE AUDIT OF THE
BELL COUNTY
CLERK**

**For The Year Ended
December 31, 2008**



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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BELL COUNTY CLERK

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Bell County Clerk's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$16,681 from the prior year, resulting in excess fees of \$121,623 as of December 31, 2008. Revenues increased by \$129,134 from the prior year and expenditures increased by \$145,815.

Report Comments:

- The County Clerk Should Provide Equal Health Insurance Funding To All Employees
- The County Clerk Should Properly Withhold Employees' Retirement Contributions

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Becky Blevins, Bell County Clerk
Members of the Bell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Bell County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 11, 2009 on our consideration of the Bell County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Becky Blevins, Bell County Clerk
Members of the Bell County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk Should Provide Equal Health Insurance Funding To All Employees
- The County Clerk Should Properly Withhold Employees' Retirement Contributions

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Bell County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

June 11, 2009

BELL COUNTY
BECKY BLEVINS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

State Grants	\$ 58,246
State Fees For Services	11,599
Fiscal Court	88,972

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 709,577
Usage Tax	1,388,452
Tangible Personal Property Tax	1,578,957

Other-

Fish and Game Licenses	9,882	
Marriage Licenses	10,865	
Occupational Licenses	255	
State Taxes	6,628	
Deed Transfer Tax	26,002	
Delinquent Tax	<u>289,840</u>	4,020,458

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	8,491
Real Estate Mortgages	22,873
Chattel Mortgages and Financing Statements	52,294
Powers of Attorney	819
All Other Recordings	19,888
Lien Fees	10,976
Affordable Housing Trust	23,688

Charges for Other Services-

Notary Fees	5,351	
Copywork	<u>13,703</u>	158,083

Other:

Refunds	5,414	
Miscellaneous	<u>2,937</u>	8,351

The accompanying notes are an integral part of this financial statement.

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Revenues (Continued)

Interest Earned	\$ 636
Total Revenues	4,346,345

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 514,573
Usage Tax	1,345,340
Tangible Personal Property Tax	535,521

Licenses, Taxes, and Fees-

Fish and Game Licenses	9,522
Delinquent Tax	45,700
Legal Process Tax	19,930
Affordable Housing Trust	23,700
	<u>\$ 2,494,286</u>

Payments to Fiscal Court:

Tangible Personal Property Tax	163,944
Delinquent Tax	62,882
Deed Transfer Tax	24,701
Occupational Licenses	170
	<u>251,697</u>

Payments to Other Districts:

Tangible Personal Property Tax	803,980
Delinquent Tax	112,411
	<u>916,391</u>

Payments to Sheriff 3,558

Payments to County Attorney 38,206

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	210,801
Part-Time Salaries	14,744
Overtime	29,460

The accompanying notes are an integral part of this financial statement.

BELL COUNTY
 BECKY BLEVINS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Employee Benefits-		
Employer's Share Social Security	\$ 24,158	
Employer's Paid Health Insurance	4,770	
Employer's Paid Dental Insurance	2,053	
Contracted Services-		
Accounting Services	4,608	
Materials and Supplies-		
Office Supplies	4,356	
Other Charges-		
Extra Help	286	
Conventions and Travel	1,858	
Miscellaneous	5,355	
Election Expenses	50,945	
Preparing Tax Bills	3,486	
Refunds & Overpayments	<u>8,820</u>	\$ 365,700
Capital Outlay-		
Imaging System	58,246	
Office Equipment & Software	<u>13,717</u>	71,963
Debt Service		
Copier Lease	<u>3,538</u>	
Total Expenditures		<u>\$ 4,145,339</u>
Net Revenues		201,006
Less: Statutory Maximum		<u>74,020</u>
Excess Fees		126,986
Less: Expense Allowance	3,600	
Training Incentive Benefit	<u>1,763</u>	<u>5,363</u>
Excess Fees Due County for 2008		121,623
Payment to Fiscal Court - March 10, 2009		<u>110,000</u>
Balance Due Fiscal Court		<u><u>\$ 11,623</u></u>

The accompanying notes are an integral part of this financial statement.

BELL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Nonhazardous covered employees hired after September 1, 2008 are required to contribute 6.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.5 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Bell County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. Although the County Clerk entered into agreements with two depository institutions, the requirements of part (b) were not met. At one institution, the board of directors of the depository institution or loan committee did not approve the Bell County Clerk's written agreement securing the Clerk's interest in collateral pledged. At a second institution, the board of directors or loan committee's approval of the Bell County Clerk's written agreement securing the Clerk's interest in the surety bond was not reflected within the minutes of the board of directors of the depository institution or loan committee.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Bell County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance.

BELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 4. Grant

During calendar year 2008, the County Clerk received grant funds totaling \$58,246 from the Kentucky Department for Libraries and Archives to be used for the purchase of an imaging system. The accounted earned interest of \$24 during the year. The County Clerk properly expended \$58,270, leaving a \$0 balance as of December 31, 2008.

Note 5. Operating Lease

The office of the County Clerk was committed to a lease agreement with Johnco, Inc. for a copier. The agreement requires a monthly payment of \$295 for 48 months to be completed on or before March 4, 2012. The total balance of the agreement was \$11,193 as of December 31, 2008.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Albey Brock, Bell County Judge/Executive
The Honorable Becky Blevins, Bell County Clerk
Members of the Bell County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Bell County Clerk for the year ended December 31, 2008, and have issued our report thereon dated June 11, 2009. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bell County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bell County Clerk's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Clerk Should Provide Equal Health Insurance Funding To All Employees
- The County Clerk Should Properly Withhold Employees' Retirement Contributions

The Bell County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Bell County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 11, 2009

COMMENTS AND RECOMMENDATIONS

BELL COUNTY
BECKY BLEVINS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2008

STATE LAWS AND REGULATIONS:

The County Clerk Should Provide Equal Health Insurance Funding To All Employees

During calendar year 2008, the auditors discovered that the County Clerk did not provide equal health insurance funding to all employees. Since the fiscal court funds the premium for a single plan for all full time county employees, the Clerk's written personnel policy states that if an employee "desires to add spouse and/or dependent coverage.... the employee shall pay the additional premium by payroll deduction." In accordance with this policy, the Clerk withheld additional health insurance premiums from all eligible employees, with the exception of one (1) former employee. From March until September 2008, the Clerk paid the additional premium amount, totaling \$2,861, for one former employee directly from the fee account, rather than by payroll deduction. Additionally, we noted two employees worked full time hours, but were not enrolled for health insurance benefits until 9 and 10 months, respectively, after being hired. Based on Attorney General Opinion #94-15, KRS 79.080 does not provide for different levels of governmentally funded health insurance coverage. In addition, OAG #94-15 notes, "such different level of coverage would be arbitrary and would involve other than equal treatment of the law and thus would be violative of sections 2 and 3 of Kentucky's Constitution." Subsequently, in October 2008, the Clerk amended the health insurance policy, in practice, to provide payment from the fee account, for all insurance premium costs above the single plan rate funded by the fiscal court. Although the Clerk's policy changed in practice, we noted the Clerk's written personnel policy was not updated to reflect this change. We recommend the Clerk continue to provide equal health insurance funding to all eligible employees. Furthermore, we also recommend the Clerk consult with the County Attorney to ensure all health insurance policies are in compliance with state and federal laws.

County Clerk's Response: An upgrade policy was provided to all employees at no additional cost to them. The two employees mentioned were temporary, they were supposed to go to college. Both the employees and I had that agreement when they were hired temporarily. The CPA that does my payroll (who is also an auditor for the state) said he handled the health insurance the same way in 2008 as he did in 2007. I believe all employees need good health insurance.

Auditor's Reply: KRS 79.080 does not provide for different levels of health insurance funding. Since these employees worked full time hours, they were eligible to receive the same level of health insurance funding as other full time employees, regardless of basis of employment, such as "temporary". In addition, the CPA the Clerk retains to perform various bookkeeping functions is not an employee of the Auditor of Public Accounts.

BELL COUNTY
BECKY BLEVINS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

The County Clerk Should Properly Withhold Employees' Retirement Contributions

During our test of payroll, we noted that the Clerk failed to properly withhold retirement contributions for four (4) employees. According to the definition provided in KRS 61.510, any employee working in excess of one hundred (100) hours per month, on average, qualifies to participate in the County Employees Retirement System (CERS). As such, KRS 78.610(2) requires the Clerk to withhold the applicable 5% or 6%, as applicable, from each employee's "creditable compensation", per pay period.

- In three (3) instances, employees were considered to be "part time"; however review of payroll records indicated these employees worked in excess of one hundred (100) hours per month, on average. These employees were subsequently included on the Clerk's monthly retirement contributions reports 3, 8, and 13 months, respectively, after each employee's hire date.
- In one (1) instance, an employee's retirement withholdings were discontinued based on the intended decrease in working hours from "full-time" to "part time"; however, review of payroll records indicated this employee continued to work in excess of one hundred (100) hours per month, on average, for two (2) months after withholdings stopped.

In addition, the monthly retirement reports submitted to the fiscal court did not include the creditable compensation earned by these four employees during the instances detailed above. As a result, the fiscal court may not have remitted the matching employer's share of retirement contributions as required by KRS 78.610(4). We recommend the Clerk review employees' work hours each pay period to ensure retirement contributions are properly withheld for all employees working an average of 100 hours per month, as required by KRS 78.610(1). Additionally, the Clerk should ensure all creditable compensation is properly reported on monthly retirement reports submitted to the fiscal court and CERS.

County Clerk's Response: There again these employees were hired on a temporary basis because they were supposed to go to college. Retirement is handled thru the treasurer's office and my CPA. Neither myself or my bookkeeper has ever filled out an insurance form or retirement form for any employees. That falls under the fiscal court and the treasurer's office handles that.

Auditor's Reply: Retirement eligibility, as established by KRS, is based on average number of hours worked per month, and is not superseded by basis of employment, such as "temporary". In addition, the Clerk's monthly retirement reports are prepared by the CPA the Clerk retains to process various bookkeeping functions. The fiscal court does not prepare the monthly retirement reports, but forwards the reports, and the employer's share of matching retirement to CERS.

